June 15, 2009

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U.S. Bankruptcy Court
Office of the Clerk
Southern District of New York
One Bowling Green
New York, New York 10004-1408

RE: General Motors Corporation Case No. 09-50026

Objection to 363 Sale creating a "New" and an "Old" GM and GM Equity/Bond Swap

Dear Honorable Judge Robert Gerber,

<u>Broken Dreams and Promises</u>

We do not hold law degrees, but if all the best assets go to the "New" GM and our Bondholders debt remains with the leftover unwanted "Old" GM, then our hope of having GM keep the promises it made to us in the Bond indentures is severely diminished.

Not many voices are being heard and reported in the news from those of us who are small peanuts. This is the story of an elderly couple and their investment in GM Retail $25 unsecured bonds. Within the unsecured GM bondholders group, there is a world of difference between the average "Retail" Bondholder's circumstances compared to that of the average "Institutional" Bondholder's. Although there is similarity in type, (bonds), we are not two peas in a pod. Please ensure that we are not all lumped in together. We must obtain a voice and an identity of our own. All the financial wizards that commonly deal in "Institutional" bonds are not the same as mom and pop "Retail" bond investors. Investors who rely on their GM bonds to provide shelter, food, and medical care in their elder years and who relied on promises made in the "Retail" bond's indentures, should not be treated the same as professionals who earn a living in the bond markets and who have legal staffs and financial wizards to advise them.

In March of 2001, I retired without pension from a Civil Service position due to ill health and having received a small inheritance just prior to this event. We were told by the employing agency that we could convert our health insurance to a private policy with no underwriting required. The long story short was that to get our current health conditions covered, we did need to pass through underwriting. Our health care plan went from 10% Copay, $250 Deductible for $98/month while employed to 20% Copay, $1200 Deductible for $803/month by November 2004. With 12% annual increases in premiums the norm, we were looking at health insurance premiums of $1415/month by July 2009 when my Civil Service and Social Security pensions will begin. Please note that we are living close to the vest, no vacations in 8 years, no going out to eat or unnecessary spending of any kind.

Between November 2004 and March 2005, all of our bank CD's were to mature. Current yield rates were at best 4.45%. What to do? Stocks were out as we needed income. Investing back into CD's would have provided an income level that would have resulted in our already shrinking investments disappearing at a very rapid rate. Bonds were our choice. And yes, you guessed it, they were GM Retail Bonds at 7.375%. The history was promising as they fluctuated between AAA-- to AA- in ratings and frequently sold on the market at prices above their $25 par value. We purchased one block at $22.78 (370442725 12,408 Bonds at $22.22/Bond or $310,200) and another at $25.22 (Cusip: 370442774 3,960 Bonds at $25.22/Bond or $$99,000). GM was considered a pillar of the US economy and Dow Jones. Nobody I talked to foresaw GM in bankruptcy. Most laughed at me when I asked about the possibility. GM was too big to fail. We were now financially solvent until our pensions began and into the future. We intended to diversify the investment over time, but not if it meant a large or unwarranted loss in value.

Anyone ever been out fishing on a lake when a storm hits? The first thing is to start the motor if you have one or find the paddles and start rowing for shore. But what does one do when the U.S. Government takes away the motor and GM throws the paddles overboard? Neither my wife and I nor GM Retail bondholders as a group are stupid and foolish people. We assume that most of you read the legal prospectus/indenture under which our bonds were issued. The question for us was: What happens if between now and 2041 or 2048, GM restructures, defaults on these bonds, or enters bankruptcy? The following promises were those that we relied upon from said prospectus which induced us to purchase GM Retail Bonds. Take especial notice of italicized segments.

<u>"Consolidation, Merger or Sale of Assets</u>

The indentures provide that *we will not merge* or consolidate with another corporation or *sell or convey all or substantially all of our assets unless either we are the continuing corporation or the new corporation shall expressly*

assume the interest and principal due under the debt securities. In either case, the indentures provide that neither we nor a successor corporation may be in default of performance immediately after a merger or consolidation. Additionally, the indentures provide that in the case of any such merger or consolidation, either we or the successor company may continue to issue securities under the indentures.

<u>Modification of the Indenture</u>

The indentures contain provisions permitting us to modify or amend such indenture or the rights of the holders of the debt securities issued thereunder, with the consent of the holders of not less than a majority in aggregate principal amount of the debt securities of all series at the time outstanding under either such indenture which are affected by such modification or amendment, voting as one class, provided that <u>no</u> such modification shall:

change the fixed maturity of any debt securities, or reduce the principal amount thereof, or premium, if any, or reduce the rate or extend the time of payment of interest thereon, or reduce the amount due and payable upon acceleration of the maturity thereof or the amount provable in bankruptcy, or make the principal of, or premium, if any, or interest, on any debt securities payable in any currency provided in such debt securities, without the consent of the holder of each debt security so affected; or

reduce the aforesaid percentage of debt securities, the consent of the holders of which is required for any such modification, without the consent of the holders of <u>all</u> debt securities then outstanding under the indentures.

<u>Events of Default</u>

An event of default with respect to any series of debt securities issued subject to the indentures is defined in the indentures as being:

default in payment of any principal or premium, if any, on such series;

default for 30 days in payment of any interest on such series;

default for 90 days after notice in performance of any other covenant in the indentures; or

certain events of bankruptcy, insolvency or reorganization.

In case an Event of Default as set out in the first, second and third items listed above shall occur and be continuing with respect to any series, the trustee or the holders of not less than 25% in aggregate principal amount of debt securities of each such series then outstanding may declare the principal, or, in the case of discounted debt securities, the amount specified in the terms thereof, of such series to be due and payable. In case an Event of Default as set out in the fourth item listed above shall occur and be continuing, the trustee or the holders of not less than 25% in aggregate principal amount of all the debt securities then outstanding under the applicable indenture, voting as one class, may declare the principal, or, in the case of discounted debt securities, the amount specified in the terms thereof, of all outstanding debt securities to be due and payable.

<u>Optional Redemption</u>

On and after May 19, 2008, we may redeem the Bonds, at our option and at any time, in whole or in part at a redemption price equal to 100% of their principal amount plus accrued and unpaid interest up to but not including the date of redemption.

<u>Selection and Notice</u>

We will mail notices of redemption by first-class mail at least 30 and not more than 60 days prior to the date fixed for redemption to each registered holder of the Bonds to be redeemed at its registered address. If we redeem less than all of the Bonds at any time, the trustee will select the Bonds to be redeemed on a pro rata basis, by lot or by such other method directed by us. The trustee will make that selection not more than 45 days before the redemption date.

The Bonds will be unsecured obligations of GM and will rank equally with all other unsecured and unsubordinated indebtedness of GM."

We did not realize that instead of relying on the plain meaning of these words, we needed to be experts in the legal realm of bankruptcy law and familiar with all the tactics corporations can use to avoid keeping their promises. Why even bother with said promises when the corporation knows they can be voided? If one has enough money to hire legal expertise and has the support of the U.S. Government, then is not anything possible?

In the fall of 2007, these Bonds still had a market value of $18.54. After personally following the GM saga, (union contracts, Delphi bankruptcy, union health plan, auto industry news, tax writeoffs, etc), throughout this period, we

believed that GM was moving in a positive direction. Wham, bam, boom - the US economy mysteriously falls off a cliff (especially so just prior to the election). This dramatically affected a fragile auto industry and assured the election of a Democratic President and Congress. And so we had little choice but to hold on to them in hopes of government intervention to save the auto industry. In March of 2008 GM Bonds were at $15.23, June at $12.50, September at $7.00, December at $3.30, today at $1.14. We did hold frequent talks with advisors whose general opinion was that we were all, including the auto industry itself, in this boat together and GM would be aided to whatever extent necessary by the Federal government. In sum, GM Bonds fell off a cliff. These Bonds supposedly include a legally binding contract between the lender (us) and the borrower (GM). Until you rule otherwise, we are owed the promised interest until the day they are redeemed at full par value of $25 each - period according to promises made in the bond indenture.

<u>Mad As Hell</u>

So much of what has and may happen angers us that we hardly know where to begin, but we will try to be brief. The initial offer of 225 common stock shares per $1,000 of bonds would have required sacrifice, even if those shares were worth the $4.45 per share required to make this a dollar for dollar exchange, because bondholders would be losing the promised interest for the specified period and be required to reinvest in the market that is now in turmoil. But, as best we could understand, these shares had no defined value whatsoever. Would they be worth their market value on May 26, 2009 or their value on the bankruptcy filing date of June 1, 2009 or their value June 30, 2009 which the offer cited as the date that the bonds would officially be exchanged? On May 26 their value was $1.20, on June 1 their value was $.75, on June 30 their value would or will be ??. This makes the offer worth $270 on June 26, $169 on June 1, and ??? on June 30 per $1,000 in bond principal. Whatever the actual amount, GM was asking Bondholders who have legal rights to become common stock holders in a corporation poised to enter a bankruptcy court 5 days later, (an almost certainty at the time of the offer), where bankruptcy judges typically view common stock as a buyer beware commodity. In addition, they were asking us to trade our $27.2 billion in unsecured debt for 10% equity in this bankrupt corporation when this should have been 40% equity if compared to what the UAW Union and U.S. Government debts amounted to for their promised equity shares of the "New" GM. To summarize, we were offered somewhere between 27% and ??% of our bonds promised par value for one fourth of what our equity should have been. Oh yes, we forgot to mention that whatever those new stocks are worth, when issued, GM will then do a 100 to 1 reverse stock spilt. This is a very rarely seen corporate move which surely is not designed for the benefit of the holder of said stock, but we do not know how this works out in the short or long term. We think it means, at least in part, that if one owns 100 shares worth $1 each, they will subsequently own 1 share worth $100. If voting rights are assigned as one vote for one stock, then logically one would have 1/100th the voting power after this reverse split is consumated. Is it any wonder that less than 15% of bondholders accepted this offer? How many out of panic? How many out of ignorance? How many because the dollar amount is insignificant to them? How many because an investment firm made the decision for them

Shall we move on to the "sweetened" offer? GM next gave bondholders 56 hours to accept a second offer which differed from the first in only two respects. First, the U.S. Government's loan to the "New" GM will not be applied toward GM's debt ledger per se, but is to be looked upon as an equity stake in GM common stock to be sold in the market at a future date. Theoretically, when this equity stake equals in value the amount invested by the U.S. Government, the equity will be sold to satisfy the U.S. tax payers who will in effect have been made whole. For bondholders who convert bonds into "New" GM stock, we believe that this means that the removal of this huge debt burden will improve the corporation's balance sheet while providing an opportunity for future increased stock dividends. We will not speculate on the likelihood of the tax payer payback or the payment of future dividends here. Secondly, bondholders would be given warrants to purchase up to 15% more common stock equity when the "New" GM reaches certain thresholds of value as a corporate whole. If we understand correctly, GM offered bondholders somewhere between 27% and ??% of our bonds promised par value for one fourth of what our equity should have been and an opportunity to invest more of our money in a corporation which has failed to "*redeem the Bonds, at our option and at any time, in whole or in part at a redemption price equal to 100% of their principal amount plus accrued and unpaid interest up to but not including the date of redemption.*" Please note that for all bondholders who rely on bond dividends to put food on their table, pay their medical bills or whatever, this income has been suspended indefinitely due to the bankruptcy. For those who accepted this "sweetened" offer, this loss of income will continue until GM declares a stock dividend equal to the amount of interest you were receiving from your bonds. No matter what, if one agrees to the offer, one will lose all interest income one would have earned until stock dividends in whatever amount are paid, if ever. By the way, this "New" common stock will not be publically trade until at least July 1, 2010 or later, by best estimates of GM CFO Ray Young, which means they cannot be sold, thus trapping these invesment finds.

One can do the math on our $27.2 billion getting 10% ownership of GM while the US government gets 60.8% for a similar amount of debt and the UAW gets 17.5% for about half as much "forgiven" debt. The math is: 225 shares of equity for each $1,000 of principal in bonds results in 6,120,000,000 shares of common stock which are to be reverse split 100 to 1. The resulting 61,200,000 shares are to be privately held until approximately June 1, 2010. These shares would have to be publically offered at $444.44 each for the unsecured bondholders to be made whole.

GM's market value, when the other 90% of common stock equity is added, would need to be $272 BILLION. Anyone want to bet GM ever reaches even $100 BILLION in market value? The "sweetened" offer would ask these same former unsecured bondholders the question: Would you like to exercise your warrants to be first in line to obtain up to 91,909,090 more equity shares by investing another, ($30 times 45,454,545 and $55 times 45,545,545), $3.864 BILLION of your money in the "New" GM? In a "New" GM that wiped out it's current stock holders and is seeking to "give" unsecured bondholders pennys on the dollar? The offer is insulting and not made in good faith to say the least. Has anyone ever presented such a dubious offer and then demanded 90% participation in it or we go into bankruptcy? Neat way to wipe the books clean of Bond obligations. Even if one understands all about all of the issues concerning bonds, stocks, bankrupcies, etc, for us, it comes to this: Should I give up all the legal rights of a bondholder in order to accept an offer to receive a dramatically reduced (in value) mystery amount of common stock with an option to purchase more ??? value common stock in this corporation? If GM attempts to treat investors with legally promised bondholders rights in this manner, how will those who accept common stock be treated in the future?

Our once bright future is now filled with doubt and storm clouds. We are trapped in our GM investment and must ride this horse to trails end. If you lump all GM (Institutional and Retail) Bond holders together and make an adverse ruling, then we will be bankrupt and too old to recover from the blow. Our lives will be in shambles. If you follow the law (as we understand it) and the historical rulings affecting small individual Retail Bond holders, then we will receive our accrued interest and the full par value of these Bonds - we will be made whole. We will loose our investment maturing in 2041/2048 and we will lose our interest income for an unknown period of time, perhaps permanently while GM is in bankruptcy. Until our pensions begin September 1, 2009, this loss of interest represents 97% of our income. Once our pensions begin, this loss of interest income will still represent 58% of our income. The principal from our money market fund pays for the rest of our basic, no frills style of living. These funds will be depleted by December 31, 2010 if no further GM bond interest is received.

From a powerless couple's perspective, it appears that those with the wealth and power to do so are out to rob from the poor to further empower themselves except where it is neccessary to throw a dog a bone politically (UAW). We have never been contacted by anyone or any group offering us the opportunity to vote or to engage GM in litigation for violation of their prospectus/indenture promises. Who are all these people supposedly representing 54% of the $27.2 billion in unsecured debt? How can anyone be sure that this is even true or correct? Where is the information stored for verification? We cannot afford the legal fees to fight this travesty. We feel like a smashed cockroach that may have been on the bottom of David's shoe when he faced Goliath. Is there not anyone anywhere with the where withall to stand up for us? We will not burden you down with voluminous arguments of the pros and cons of the issues. We are willing to testify before any committee or court about these matters, but would need financial support for travel expenses.

<u>If We Were the King</u>

After all things are considered, if we were king:

1) All Institutional Bondholders would be a seperately considered group.

2) All Retail Bondholders would be a seperately considered group.

3) Retail Bondholders who paid more than xx% of the $25 par value for their bonds would be made whole and paid $25 per bond plus accrued interest to the day of redemption.

4) Retail Bondholders who paid less than xx% of the $25 par value for their bonds would receive in cash an amount equal to the amount they actually paid for their bonds plus accrued interest to the day of redemption.***

*** As king, we would not reward with a windfall, those who bought $2, $3, $4, or whatever bonds knowing they were junk bonds (and rated so) for the extremely high yield per dollar invested.

We must stop here as this is far too long already. We are trusting in God almighty to sustain us no matter what. If nothing else is done by anyone, anywhere, please, Honorable Judge Robert Gerber, be aware that within the unsecured GM bondholders group, there is a world of difference between the average "Retail" Bondholder's circumstances compared to that of the average "Institutional" Bondholder's. Although there is similarity in type, (bonds), we are not two peas in a pod. Please ensure that we are not all lumped in together.

Sincerely,

James C and Jane R Hauck

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